

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

35th District Courthouse Authority

**Financial Report
with Supplemental Information
December 31, 2006**

35th District Courthouse Authority

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Independent Auditor's Report

To the Board of Directors
35th District Courthouse Authority

We have audited the accompanying financial statements of 35th District Courthouse Authority, including 35th District Courthouse Authority's individual governmental funds and the statement of net assets and statement of activities, as listed in the table of contents. These financial statements are the responsibility of 35th District Courthouse Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of 35th District Courthouse Authority, including its individual funds and 35th District Courthouse Authority as a whole for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

May 24, 2007

35th District Courthouse Authority

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2006

	Individual Funds - Modified Accrual Basis				Statement of Net Assets - Full Accrual Basis
	General Fund	Capital Projects Fund	Debt Service Fund	Total	
				GASB No. 34 Adjustments (Note 2)	
Assets					
Due from State of Michigan 35th Judicial District Court	\$ 161,254	\$ -	\$ -	\$ 161,254	\$ -
Capital assets - Net of depreciation (Note 4)	-	-	-	-	6,265,870
Total assets	<u>\$ 161,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,254</u>	6,265,870
					6,427,124
Liabilities					
Due to State of Michigan 35th Judicial District Court	\$ -	\$ -	\$ -	\$ -	-
Accrued interest payable	-	-	-	-	13,156
Long-term debt (Note 5):					
Due within one year	-	-	-	-	202,436
Due in more than one year	-	-	-	-	3,150,000
Total liabilities	-	-	-	-	3,365,592
					3,365,592
Fund Balance - Unrestricted	161,254	-	-	161,254	
Total liabilities and fund balance	<u>\$ 161,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,254</u>	
Net Assets					
Invested in capital assets - Net of related debt				2,913,434	2,913,434
Unrestricted				(13,156)	148,098
Total net assets				<u>\$ 2,900,278</u>	<u>\$ 3,061,532</u>

35th District Courthouse Authority

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2006

Individual Funds - Modified Accrual Basis						
	General Fund	Capital Projects Fund	Debt Service Fund	Total	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue						
Base rental revenue (Note 7)	\$ 365,801	\$ -	\$ 363,100	\$ 728,901	\$ -	\$ 728,901
Additional rental revenue (Note 7)	56,019	-	-	56,019	-	56,019
Interest income and other	-	69	-	69	7,468	7,537
Total revenue	421,820	69	363,100	784,989	7,468	792,457
Expenditures						
Utilities	98,066	-	-	98,066	-	98,066
Building maintenance	97,954	-	-	97,954	-	97,954
Insurance	39,673	-	-	39,673	-	39,673
Capital outlay	51,019	-	-	51,019	(43,933)	7,086
Depreciation	-	-	-	-	244,484	244,484
Other	-	758	-	758	-	758
Debt service	130,108	-	363,100	493,208	(326,211)	166,997
Total expenditures	416,820	758	363,100	780,678	(125,660)	655,018
Change in Fund Balance/Net Assets	5,000	(689)	-	4,311	133,128	137,439
Fund Balance/Net Assets - Beginning of year	156,254	689	-	156,943	2,767,150	2,924,093
Fund Balance/Net Assets - End of year	<u>\$ 161,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,254</u>	<u>\$ 2,900,278</u>	<u>\$ 3,061,532</u>

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies

35th District Courthouse Authority (the "DCA") was established in 1989 upon approval of an interlocal agreement by and among the DCA member District Control Units pursuant to the provisions of the Urban Cooperations Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The member District Control Units include the cities of Northville and Plymouth and the charter townships of Canton, Plymouth, and Northville. One purpose of the DCA is to establish a joint entity to lease, acquire, own, operate, and dispose of the courthouse building occupied by the State of Michigan 35th Judicial District Court (the "Court") for the mutual use and benefit of the District Control Units, who are also members of the Court. The DCA is comprised of a five-member board of directors consisting of one representative from each member city or township.

The accounting policies of the DCA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

35th Judicial District Building Authority (the "Building Authority") was established on December 7, 1998 and is governed by a five-member board consisting of one representative from each member city or township. Although legally separate from 35th District Courthouse Authority, the Building Authority is included as a Capital Projects Fund because its primary purpose is to finance and construct the courthouse building. The Building Authority's operations consist of the issuance and repayment of debt and the construction of facilities, all of which are recorded in the appropriate DCA funds. The financial statements of the Building Authority are blended into the financial statements of the DCA as follows:

- a. The assets of the Building Authority held for payment and administration of outstanding bond issues and other related debt are reported in a Debt Service Fund.
- b. The assets and liabilities of the Building Authority related to construction projects are reported in the Capital Projects Fund.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The DCA's basic financial statements include both the DCA's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below:

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The DCA has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Modified Accrual Financial Statements

The DCA's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the DCA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DCA.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The accounts of the DCA are organized on the basis of funds, each of which is considered a separate accounting entity.

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the DCA. These activities are supported by rental and other revenue received from the State of Michigan's 35th Judicial District Court.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of the courthouse building.

Debt Service Fund - The Debt Service Fund is used to account for payments of principal, interest, and expenses in conjunction with the bond issued for construction of the courthouse building.

Financial Statement Amounts

Capital Assets - All assets with an estimated useful life in excess of two years are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	7 years
Computer equipment	3-5 years
Vehicles	5 years
Building improvements	25 years
Buildings	50 years

Long-term Obligations - In the government-wide financial statements, long-term debt and capital leases are reported as liabilities in the governmental activities statement of net assets.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The statement of net assets includes the capital assets, capital leases payable, accrued interest expense, and bonded debt associated with the construction of the courthouse. The statement of activities includes the reduction of capital outlay for assets capitalized, depreciation expense related to those assets, reduction of debt service expense for principal payments made on the debt, and recognition of accrued interest expense.

Note 3 - Budget Information

The annual budget is prepared by the court administrator and adopted by the DCA and Building Authority boards; subsequent amendments are approved by the DCA and Building Authority boards. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that proceeds from the issuance of debt have been netted against the capital outlay expenditures, rather than as an other financing source.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA and Building Authority is included in the required supplemental information at the line-item level. This comparison includes expenditure budget overruns.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance		Disposals and	Balance
	January 1, 2006	Additions	Adjustments	December 31, 2006
Governmental Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 504,125	\$ 14,495	\$ -	\$ 518,620
Computer equipment	330,608	18,687	9,572	339,723
Vehicles	42,448	-	-	42,448
Building improvements	52,255	-	-	52,255
Buildings	7,704,968	-	-	7,704,968
Subtotal	8,634,404	33,182	9,572	8,658,014
Accumulated depreciation	(2,157,232)	(244,484)	(9,572)	(2,392,144)
Net capital assets	<u>\$ 6,477,172</u>	<u>\$ (211,302)</u>	<u>\$ -</u>	<u>\$ 6,265,870</u>

Note 5 - Long-term Debt

During the year ended December 31, 1999, 35th Judicial District Building Authority issued general obligation bonds in the amount of \$4,250,000 to assist in funding the construction of the new courthouse. Repayment of this bond is funded by State of Michigan 35th Judicial District Court, which leases this building.

The DCA has also entered into three capital leases. One represents the capital lease on the former courthouse destroyed by fire during 1997. The other two represent computer equipment leases. Payment of these leases is also funded by State of Michigan 35th Judicial District Court.

The following is a schedule of long-term debt outstanding as of December 31, 2006:

	Interest Rate Ranges	Principal Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Capital lease payable - To the City of Plymouth for the former courthouse	10.92%	2006	\$ 123,282	\$ -	\$ 123,282	\$ -	\$ -
Capital lease payable - Server	0.62%	2007	12,064	-	10,335	1,729	1,729
Capital lease payable - Software	13.71%	2007	8,592	-	7,885	707	707
Bonds payable - 1999 General Obligation Bonds, original issue of \$4,250,000	4.20%-5.00%	2018	3,550,000	-	200,000	3,350,000	200,000
Total governmental activities			<u>\$ 3,693,938</u>	<u>\$ -</u>	<u>\$ 341,502</u>	<u>\$ 3,352,436</u>	<u>\$ 202,436</u>

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 5 - Long-term Debt (Continued)

The annual requirements to service all debt outstanding as of December 31, 2006, including both principal and interest, are as follows:

	Governmental-type Activities		
	Principal	Interest	Total
2007	\$ 202,436	\$ 153,684	\$ 356,120
2008	200,000	145,175	345,175
2009	200,000	136,475	336,475
2010	200,000	127,575	327,575
2011	300,000	116,175	416,175
2012-2016	1,500,000	368,812	1,868,812
2017-2021	750,000	38,750	788,750
Total	<u>\$ 3,352,436</u>	<u>\$ 1,086,646</u>	<u>\$ 4,439,082</u>

Note 6 - Risk Management

The DCA is exposed to various risks of loss pertaining to property loss and torts. The DCA has purchased commercial insurance for these claims. Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Rental Revenue

The DCA leased the former courthouse building and furnishings, destroyed by fire during 1997, to State of Michigan 35th Judicial District Court under an operating lease. Rental revenue amounted to \$130,108 for the year ended December 31, 2006.

The Building Authority leased the new courthouse building to State of Michigan 35th Judicial District Court under an operating lease. The total rental revenue, including utilities, maintenance, and insurance, amounted to \$598,793 for the year ended December 31, 2006.

In addition, during the year ended December 31, 2006, the DCA received \$56,019 from the Court representing funding for various current and future capital outlay expenditures. This amount was recorded by the DCA as additional rental revenue.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2006

Note 8 - Subsequent Events

On April 5, 2007, 35th Judicial District Building Authority refunded \$3,150,000 of the 1999 Building Authority Bonds (General Limited Tax Obligation) by issuing Building Authority Limited Tax General Obligation Refunding Bonds, Series 2007 in the amount of \$3,190,000 with an interest rate range of 4.00 percent to 4.25 percent. The bonds are payable through 2018.

Required Supplemental Information

35th District Courthouse Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Base rental revenue	\$ 402,019	\$ 379,519	\$ 365,801	\$ (13,718)
Additional rental revenue	50,000	49,600	56,019	6,419
Total revenue	452,019	429,119	421,820	(7,299)
Expenditures				
Utilities	115,000	104,000	98,066	5,934
Building maintenance	113,000	105,500	97,954	7,546
Insurance	44,000	40,000	39,673	327
Capital outlay	45,000	44,600	51,019	(6,419)
Debt service	130,019	130,019	130,108	(89)
Total expenditures	447,019	424,119	416,820	7,299
Excess of Revenue Over Expenditures	5,000	5,000	5,000	-
Fund Balance - Beginning of year	156,254	156,254	156,254	-
Fund Balance - End of year	<u>\$ 161,254</u>	<u>\$ 161,254</u>	<u>\$ 161,254</u>	<u>\$ -</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

May 24, 2007

To the Honorable John E. MacDonald,
Honorable Ronald W. Lowe, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of 35th Judicial District Court (the "Court") and the 35th District Courthouse Authority (the "Courthouse Authority") for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following to be significant deficiencies in internal control:

- As discussed in previous years, a number of employees had access to signature stamps with the judges' signatures in their possession during the first half of the year. With access to the signature stamps, it is possible to write a check and use the signature stamps instead of obtaining proper signatures from the individuals. We understand that subsequent to June 2006, the signature stamps were locked up within the clerks' desks, who utilize the stamps on a regular basis.
- Journal entries were required during the audit to ensure that the financial statement presentation was in conformity with accounting principles generally accepted in the United States of America.
- The Governmental Accounting Standards Board has determined that a governmental entity's financial statements should include a management's discussion and analysis, which is an analysis of the governmental entity's financial performance for the year. The Court and Courthouse Authority have omitted this supplemental information from their financial statements.

In addition to the above, we consider the following to be control deficiencies:

- Currently, the controller prepares the monthly bank reconciliations with no oversight or review by the court administrator. Although there are other controls in place, including the review of a listing of all checks before they are written and dual signature required on all checks, we recommend the court administrator review all bank reconciliations and acknowledge her review by initialing and dating them once reviewed.
- There is an unreconciled difference between both the detailed bond payable listing and the detailed trust payable listing and the amount recorded on the general ledger. The Court should reconcile to the bond payable listing and the trust payable listing on a monthly basis and adjust the general ledger when necessary.

Other Accounting Issues

In addition to the above, as a result of our audit, we have identified additional other matters that we would like to communicate to you. These matters are not considered control or significant deficiencies.

- The December bank reconciliations for the depository and general operating accounts did not tie out to the general ledger balance at year end. Subsequent to the bank reconciliations being completed, journal entries were made that affected the cash balance as of December 31, 2006. The Court should update bank reconciliations after journal entries that affect the cash balance are made.
- We noted that there are a number of old outstanding checks on the bank reconciliations. It is our understanding that the escheating process has begun in the current year. We commend the Court for beginning this process and recommend that it continue with its efforts to “clean up” the bank reconciliations.
- It was noted during our audit that no one reviews the controller’s journal entries before they are posted into the general ledger. Although we understand the board reviews the financial statements quarterly, we recommend that the Court enhance its current controls by having an individual outside of the accounting function review and initial all journal entries initiated and posted by the controller.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.

To the Honorable John E. MacDonald,
Honorable Ronald W. Lowe, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court

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May 24, 2007

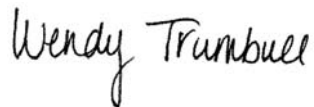
This report is intended solely for the information and use of the judges, the board of directors, management, others within the organization, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "David H. Helisek".

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy N. Trumbull".

Wendy N. Trumbull